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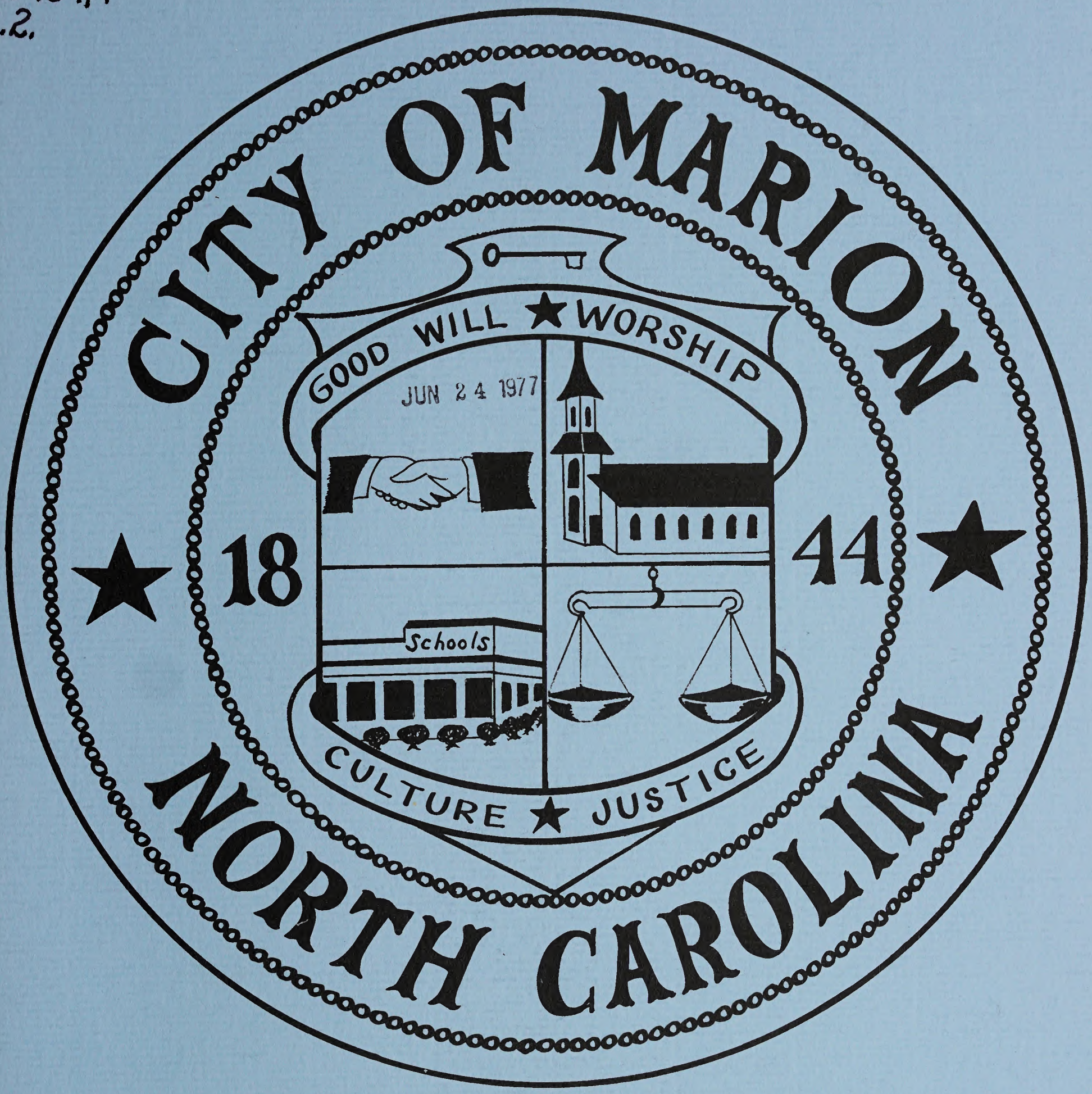

Capital Improvements Budget

Public Improvements Program

Marion, North Carolina

CAPITAL IMPROVEMENTS BUDGET,
PUBLIC IMPROVEMENTS PROGRAM

MARION, NORTH CAROLINA

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This report contains a schedule of public improvements for the next six-year period. This schedule was based on discussions with department heads and the City Manager. Long-range projects are also listed. This report also contains a Capital Improvements Budget which projects revenues and expenditures for a six-year period and indicates how the public improvements can be financed.

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CAPITAL IMPROVEMENTS BUDGET-PUBLIC IMPROVEMENTS PROGRAM

MARION, NORTH CAROLINA

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Chapter 1

Introduction

The City of Marion has been involved in a planning program for the past several years. Several planning publications have been prepared by or for the City, which include a housing element, annexation study, population and economy study, land use survey and land development plan, school study and thoroughfare plan. These planning elements taken together constitute what can be referred to as a "master plan" for the future growth and development of the City. This Plan serves as the official statement of a planning group and/or legislative body. One important element missing from the City's planning program is a Capital Improvements Budget and a Public Improvements Program which anticipates future revenues and capital expenditures, some of which are called for in the above mentioned planning elements. The capital improvements budget also serves as an implementary tool in that it shows how the public improvements can be financed.

The demand for municipal services is continually increasing. This increased demand has been brought about primarily by two developments: 1) The number of people requiring services is increasing rapidly in most urban areas, and 2) The population as a whole is demanding an even higher level of service. Consequently, improved and expanded service is required even in areas which are not experiencing population growth.

Municipalities are finding it necessary to expend substantial sums of money each year for the land, building, materials, construction and equipment needed to provide facilities for the protection of the community and to supply the numerous services demanded by the citizens. Municipal budgets usually distinquish between funds which are to be expended for the physical plant and equipment and those

expended for salaries, operations, and public service. The physical facilities are variously designated as "public improvements," "public works," and "capital improvements." The expenditures for these facilities are usually referred to as "capital expenditures" or "capital outlays".

Since public improvements have a vital influence in determining the degree and direction of community development and since the cost of such improvements represents a sizable portion of all municipal expenditures, it is of utmost importance that all public improvement projects be developed as related items in an integrated program. The failure to coordinate properly individual projects may result not only in serious financial dislocation to the community, but may also be highly detrimental to its proper physical development.

Purposes and Objectives of Long-Range Planning

Few municipalities are so fortunate as to have available at any given time sufficient revenues or staff to supply all the demands for new or enlarged public improvements. Consequently, most municipalities are faced with the necessity of making decisions as to the relative priority of specific projects and of establishing a schedule of capital improvements to be accomplished under the long-range public improvements program.

The Nature and Importance of Programming

In substance, the public improvements program is simply a planned program for providing public (capital) improvements. In operation, it proceeds on the basis of a priority of capital items prepared against a background of current and anticipated demands and the present potential financial resources of the community. The public improvements program should be considered as a major planning tool for guiding public improvements of the community along desirable channels and insuring that these improvements proceed in an orderly manner. It is not a device to encourage the spending of more public monies, but is a means

by which an impartial evaluation of needs can be made and a timetable established.

Long range programming of public improvements is based on three fundamental considerations. First, the proposed projects must be selected on the basis of community needs. Second, the projects must be developed within the financial resources of the community pursuant to a sound financial plan. Third, the program must be kept flexible through annual review and revisions. The observance of these considerations implies the analysis of many factors within the community as well as an evaluation of the proposed improvements.

Benefits from Programming

The benefits to be derived from the programming of public improvements are numerous. In the first place, programming requires the heads of operating departments to plan for the future and to anticipate their needs for capital expenditures over a period of years. Secondly, programming offers a better prospect for getting first things done first. It establishes a sounder basis for budgeting decisions and helps to insure that current decisions will be related to long range trends. Thirdly, from the standpoint of economics, a sound public improvements program may produce substantial savings and point the way toward needed budgetary or financial reform, which have a lasting value on improving overall city management. The public improvements program offers the municipality an opportunity to pro-rate the number of improvements over a period of years, thereby tending to establish a more nearly consistent tax level. Programming of the improvements often makes it possible to achieve economies through the acquisition of land as sites for public buildings and other facilities at a more opportune time since the future needs can be anticipated in advance of the actual budget authorization and hence the land may frequently be acquired at lower cost. As a result of long-range programming, engineering

plans may be prepared well in advance of construction, thus making more time available for checking and re-checking. Furthermore, through programming, it is possible to anticipate and facilitate a more even work program, thereby minimizing layoffs, rehiring, etc.

Capital Improvements Budget

In addition to providing a public improvements program for the City of Marion, this planning document will also include a complete section dealing with a proposed capital improvements budget. The public improvements program and capital improvements budget are often handled as two separate studies. These two elements are dependent on each other and thus are combined into one planning document.

A capital improvements budget should be distinquished, at the outset, from an annual budget in that an annual budget is a guide for all governmental expenditures undertaken during the fiscal year, whereas, a capital improvements budget depicts the public improvements needed over a number of years. Six years is normally the period over which a capital improvements budget is programmed. In the first year, the capital improvements budget makes definite budget recommendations, and if accepted, is integrated into the city's annual budget for the year. The remaining five years of the capital budget are merely recommendations, each of these years being considered for integration into the corresponding year of the annual budget as that particular year approaches.

The capital improvements budget should be kept continually at a six-year length. Each year, the future needs should be re-examined and the sixth year added.

The public needs to be budgeted are taken on a priority basis from the public improvements program which looks ahead five, ten, even up to twenty years. These needs are then broken down into specific periods; the first, composed of six years, is used as a basis for the original capital improvements budget.

Prior to 1920, very few towns had any experience with capital budgeting. Today such budgets are common even in small municipalities. These municipalities have realized, because of such budgeting, a definite reduction in costs of capital expenditures. This cost reduction is possible because a capital outlay is related to financial resources, resulting in the stabilization of expenditures for capital items. The budget also makes it easier for the governing body to make budget decisions.

Before a capital improvements budget is prepared, it is necessary for a public improvements program to be prepared which outlines the needed public improvements over a certain period of time. In addition, there is a need for a financial analysis to be completed which indicates reliable information of the present and future ability of the community to pay for the cost of construction and maintenance of all public improvements. This determination should be based on three factors: 1) Estimates of the present financial resources and probable future trends in revenues and expenditures; 2) an appraisal of the various factors influencing the operation of the program and 3) ascertainment of the legal limitation and prior commitments which restrict the freedom of the town to adopt a particular policy. From these considerations, the town must determine the amount of funds available for the construction of public improvements.

There are two phases of the financial analysis. The first is a review of current expenditures, fixed charges and debt service over the past several years and an estimated projection of these items over the next several years. In making these projections, the goals of each department should be considered along with the measurement of departmental needs.

The second phase of the financial analysis is the complete review and projection of the revenue structure. Revenue forecasting can be done by extending growth trends, but plans for local land, the economic base of the community, employment

trends, population growth, et cetera, must also be taken into account.

The public improvements program, as has been indicated earlier, identifies projects and recommends priorities in order to meet the planning objectives of the community. Then the capital improvements budget takes these projects, recommends priorities and tries to fit them to the city's ability to pay.

Therefore, it is the purpose of this report to arrange, in a priority listing, public improvements for each department which have been recommended by department heads and other city officials.

It should be pointed out that the scheduling of these improvements, as set forth in the report, is based on discussions with community leaders and should be re-examined yearly to account for unexpected expenditures and revenues to the city budget. In addition, the costs of improvements change rapidly and often render plans obsolete unless given annual and continuing attention. One important unknown, at the preparation of this report, is whether or not Revenue Sharing will be continued. This public improvements program and capital improvements budget for the City of Marion will present, hopefully, a guide for the orderly development of the community as based on existing trends and assumptions.

Chapter 2

Public Improvements Program

Introduction

The public improvements program discusses, on a year by year basis, improvements recommended for each department. The improvements program covers a twenty-year period, and is grouped into two categories:

Short-Range Projects

The short-range projects are based primarily on present community needs and should be initiated and/or completed during the next six-year period. The capital improvements budget relates to the projects in this six-year time span.

Long-Range Projects

The long-range projects are based on future needs and are required to improve facilities and services during the remaining fourteen-year period. These projects are programmed according to the availability of funds, projected growth, community needs and completion of other projects.

Priorities

One of the most important aspects of a public improvements program is the assigning of priorities to the various projects to assure that the proposed projects are undertaken in their proper sequence. Priorities were determined based on discussions with department heads and city officials. In determining priorities the following criteria were used:

Priority A, Urgent - Projects which cannot reasonably be postponed. These may be needed to complete an essential, partially finished project, to maintain a minimum, presently established departmental program or to meet an emergency situation.

Priority B, Necessary - Projects which should be carried out within a few years to meet anticipated needs of a current departmental program or for replacement of unsatisfactory facilities.

Priority C, Desirable - Projects needed for a proper expansion of a departmental program. The exact timing of these can wait until funds are available.

Priority D, Deferable - Projects which would be needed for ideal operation but which cannot yet be recommended for action. They can be postponed without detriment to present services.

Cost estimates for the proposed short-range improvements are shown, but are considered "general" appraisals to be used as a basic guide to the financial involvement of public improvements. The probable sources of funding are also indicated. Appendix A gives a synopsis of each method of financing the recommended capital improvements.

Even though the addition of an employee is not a capital expenditure in the strict sense of the term, it is included here because it represents a relatively significant increase in expenditure for a department during the year in which the new employee was added. After the first year, this expense is incorporated into the operating budget and thus not shown as a capital expenditure.

Funding Sources

Following is a list of potential funding sources for the public improvements listed. Abbreviations are as they appear in the report.

LR	Current Local Municipal Revenue
GO	General Obligation Bonds
RB	Revenue Bonds
HUD	Department of Housing & Urban Development
FmHA	Farmers Home Administration
ARC	Appalachian Regional Commission
DOT	Department of Transportation
LEAA	Law Enforcement Association
LO	State of North Carolina, Division of Law and Order
PB	Powell Bill Funds
BOR	Bureau of Outdoor Recreation
CF	County Funds
OM	Other Municipalities
BA	Benefit Assessment Upon Property Owners
GRS	General Revenue Sharing Funds

Following is a listing of proposed public improvements.

SHORT RANGE PROJECTS, 1976-1981

Improvement	Approximate Cost	Fund Source	Priority	Timing
A. Water System				
1. One pick-up truck.	2,900	CR	C	1976
2. Need two additional pumps at filter plant to provide standby pumping capacity.	26,000	CR and/or HUD, FmHA, RB	A	1976
3. Expand water treatment plant to provide for additional capacity. (High rate filters)	No cost figures	CR and/or HUD, FmHA, RB	A	1978
4. Purchase new generator to provide standby power to pumps at filter plant.	39,337	CR and/or HUD, FmHA, RB	A	1976
5. New filtering system at Mackey Creek.	15,000	CR and/or HUD, FmHA, RB	A	1979
6. 8,000' of 16" pipe from water plant to city reservoir.	147,123	CR	C	1981
7. Replace backhoe & two trucks.	25,000	CR	B	1980
8. Replace old sewer lines				
A. East Court St. to State Street.	5,000	CR	B	1977
B. Spring Street	1,000	CR	B	1979
9. New elevated storage tanks.	275,365	CR and/or HUD, FmHA, RB	A	1981 (Depends on annexation)
10. New reservoir built next to existing reservoir to provide more storage. (Both reservoirs to be interconnected)	Cost estimate presently under study.	CR and/or HUD, FmHA, RB	A	1977
11. New clearwell at filter plant.	200,000	CR and/or HUD, FmHA, RB	A	1977
12. Add one additional employee.	10,000	CR	B	1978

Improvement	Approximate Cost	Fund Source	Priority	Timing
13. Purchase radio for truck.	1,000	CR	B	1976
14. Purchase 10 fire hydrants per year	3,500/yr.	CR	B	1976-81
B. Fire Department				
1. Set aside money each year for purchase of a new truck approx. every 15 years.	8,000/yr.	CR	C	1976-81
2. Add one additional employee (to prevent overtime).	10,000	CR	A	1976
3. Add one additional employee.	10,000	CR	A	1978
4. Purchase 10 suits per year for next 3 years	1,500/yr.	CR	B	1976-78
5. A new fire station will be needed. This may eliminate the need for a substation.	125,000	HUD, CR ARC	A	1980
6. Increase water volume at hydrants located at hospital and school. Replace 4" main with larger size.	25,000	CR	B	1977
C. Police Department				
1. Purchase two new cars every year for replacement purposes.	10,000/yr.	CR	B	1978-81
2. Train policemen in drug control, riot control, dispatching, traffic control, & similar programs.	No cost figure	LEAA, LO CR	B	1976-81
3. Purchase new uniforms each year.	2,500/yr.	CR	B	1976-81
4. Purchase one mobile unit radio.	1,200	CR	C	1976
5. Purchase 2 walkie-talkies.	4,000	CR	C	1977

Improvement	Approximate Cost	Fund Source	Priority	Timing
D. Street & Sanitation				
1. Replace load packer.	40,000	CR	A	1976
2. Purchase vachaul	50,000	CR	B	1978
3. Purchase one ½-ton pick-up	4,000	CR	B	1976
4. Purchase air compressor.	5,000	CR	C	1977
5. Purchase one small grader (DD44 Allis Chalmers)	32,000	CR	B	1980
6. Pave all unpaved sts.	67,600	PB,BA	B	1976
7. Sidewalk extension & repair.	8,000/yr.	CR	A	1976-81
8. Purchase pavement breaker (this will not be necessary if air compressor is purchased)	4,700	CR	B	1976
9. Purchase broom sweeper for tractor.	2,000	CR	B	1976
10. Purchase hole digger.	500	CR	C	1976
11. Leaf vacuum truck	9,500	CR	B	1977
E. Recreation				
1. Replace fence around tennis courts.	6,000	CR	B	1977
2. Install coin operated light control for tennis courts.	300	CR	B	1976

1976

A.	**Water System**	
1.	Pick-up truck	$ 2,900
2.	Two additional pumps at filter plant	26,000
3.	Purchase new generator to provide standby power to pumps at filter plant.	39,337
4.	Purchase radio for truck	1,000
5.	Purchase 10 fire hydrants	3,500
		$ 72,737
B.	**Fire Department**	
1.	Set aside money each year for purchase of new fire truck approximately every 15 years.	8,000
2.	Purchase ten new suites per year for next three years.	1,500
3.	Add one additional employee	10,000
		$ 19,500
C.	**Police Department**	
1.	Purchase new uniforms each year.	2,500
2.	Purchase one mobile unit radio.	1,200
		$ 3,700
D.	**Street & Sanitation**	
1.	Replace load packer	40,000
2.	Pave all unpaved streets	67,600
3.	Improvements and extensions of existing sidewalks	8,000/yr.
4.	Pavement breaker (not necessary if air compressor is purchased for $5,000).	4,700
5.	Purchase broom sweeper for tractor.	2,000
6.	Purchase hole digger	500
7.	Purchase one ½-ton pick-up	4,000
		$126,800
E.	**Recreation**	
1.	Install coin operated light control for tennis courts.	$ 300
	Total for 1976	$223,037

1977

A.	**Water System**	
1.	Replace old sewer lines-East Court Street to State Street.	$ 5,000
2.	New reservoir built adjacent to existing reservoir.	(cost under study)
3.	Purchase 10 fire hydrants.	3,500
4.	New clearwell at filter plant.	200,000
		$208,500

B.	Fire Department	
	1. Set aside money each year for purchase of new fire truck approximately every 15 years.	$ 8,000
	2. Purchase 10 new suits per year for next 3 years.	1,500
	3. Increase water volume at hydrants located at hospital and school. Replace 4" main with larger size.	25,000
		$ 34,500
C.	Police Department	
	1. Purchase new uniforms each year.	2,500
	2. Purchase two walkie-talkies.	4,000
		$ 6,500
D.	Street & Sanitation	
	1. Purchase leaf vacuum truck	9,500
	2. Purchase air compressor	5,000
	3. Sidewalk extension and repairs.	8,000
		$ 22,500
E.	Recreation	
	1. Replace fence around tennis courts.	$ 6,000
	Total for 1977	$278,000

1978

A.	Water System	
	1. Add one additional employee.	$ 10,000
	2. Purchase 10 fire hydrants.	3,500
		$ 13,500
B.	Fire Department	
	1. Set aside money each year for purchase of new fire truck approximately every 15 years.	8,000
	2. Add one additional employee (to prevent overtime work).	10,000
	3. Purchase 10 suits per year for next 3 years.	1,500
		$ 19,500
C.	Police Department	
	1. Purchase two new cars every year for replacement purposes.	10,000
	2. Purchase new uniforms each year.	2,500
		$ 12,500
D.	Street & Sanitation	
	1. Sidewalk extension and repair.	8,000
	2. Purchase vachaul	50,000
		$ 58,000
	Total for 1978	$103,500

1979

A.	**Water System**	
	1. Replace old sewer lines at Spring Street.	$ 1,000
	2. Purchase 10 fire hydrants.	3,500
	3. New filtering system at Mackey Creek.	15,000
		$ 19,500
B.	**Fire Department**	
	1. Set aside money each year for purchase of a new fire truck approximately every 15 years.	$ 8,000
C.	**Police Department**	
	1. Purchase two new cars every year for replacement.	$ 10,000
	2. Purchase new uniforms each year.	2,500
		$ 12,500
D.	**Street & Sanitation**	
	1. Sidewalk extension and repair.	$ 8,000
	Total for 1979	$ 48,000

1980

A.	**Water System**	
	1. Replace backhoe and two trucks.	$ 25,000
	2. Purchase 10 fire hydrants.	3,500
		$ 28,500
B.	**Fire Department**	
	1. Set aside money each year for purchase of new fire truck approximately every 15 years.	$ 8,000
	2. Construction of new fire station.	125,000
		$133,000
C.	**Police Department**	
	1. Purchase two new cars every year for replacement.	$ 10,000
	2. Purchase new uniforms each year.	2,500
		$ 12,500
D.	**Street & Sanitation**	
	1. Purchase one small grader	$ 32,000
	2. Sidewalk extension and repair.	8,000
		$ 40,000
	Total for 1980	$214,000

1981

A. Water System	
1. 8,000' of 16" pipe from water plant to city reservoir.	147,123
2. Elevated storage tanks.	275,365
3. Purchase 10 fire hydrants.	3,500
	$425,988
B. Fire Department	
1. Set aside money each year for purchase of a new fire truck approximately every 15 years.	$8,000
C. Police Department	
1. Purchase two new cars every year for replacement purposes.	10,000
2. Purchase new uniforms each year.	2,500
	$12,500
D. Street & Sanitation	
1. Sidewalk extension and repair.	$8,000
Total for 1981	$454,488

1976	$ 223,037
1977	278,000
1978	103,500
1979	48,000
1980	214,000
1981	454,488
Total for six years----------	$1,321,025

Additions: Expand water treatment plant to provide for additional capacity. No cost figure!

LONG-RANGE PROJECTS
1982-1995

Improvement	Fund Source	Priority
A. Water System		
1. City should do away with the mountain intakes and expand the water plant so as to supply all water from the filter plant.	CR	C
2. City should begin preparing for construction of a 12" loop system to eliminate all dead end water lines and reduce down time for construction and unexpected maintenance problems.	CR	C
3. When any areas are annexed, provide adequate water service and fire protection.	CR	C
B. Fire Department		
1. A substation will be needed in the Clinchfield Area if it is annexed. (If new central station is constructed, may not need substation.)	CR, HUD	C
2. Additional communications equipment will need to be purchased.	CR	C
3. Water improvements will need to be made to increase water pressure especially if any annexations are made.	CR	C
C. Police Department		
1. Employ an additional policeman for each increment of 500 persons added to the City through annexations or normal growth.	CR	C
2. Add one cruiser for each 2 men added.	CR	C
D. Street and Sanitation		
1. Purchase land for a new city park.	BOR, HUD, CR	C

Chapter 3

Capital Improvements Budget

As was discussed in Chapter 1, an understanding of the financial capability of Marion's municipal government is necessary before an evaluation can be made of the ability of the municipality to finance the needed improvements that are recommended in the public improvements program.

Definitions

In order to clearly understand what is said and meant in this report, the following terms and phrases are defined:

Bond Rating. Bond ratings are simply an indication by a numerical score or a letter grade of the quality of the locality's credit capacity. A good credit rating is of great importance to an issuer of bonds since it has a direct bearing on the relative cost which must be paid on its obligations. Bonds with a particular letter rating may sell with a yield from one-tenth to one-quarter of one percent lower than a bond with the next lower letter grade. For example, the difference of one-quarter of one percent for $1,000,000 in bonds over 20 years represents $50,000. It is easy to project the potential savings in interest costs through improved bond ratings.[1]

Bonding Capacity or Debt Limit. The maximum amount of bonds outstanding which a locality may have at any one time. Usually stated as a percentage of total appraised valuation.

Capital Expenditures. Expenditures which are the acquisition of or addition to fixed assets in the form of land, buildings, improvements of a permanent nature and equipment of a durable character.

Capital Reserve Fund. A fund established to provide for the future acquisition of or addition to fixed assets.

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[1] Bond Ratings, Local Government Commission, Raleigh, N.C., 1970, page 3.

Current Liabilities. Liabilities which are payable immediately or in the near future, usually no longer than one year, out of current revenues.

Debt Service. The periodic obligation to pay interest and principal on the outstanding debt. Usually, the annual amount necessary to retire the debt.

Dog Taxes. Counties may impose a regular tax of $1.00 on male dogs and $2.00 on open female dogs, as well as listing them as personal property.[1]

Franchise Tax. A tax on a special privilege granted by a government permitting the continuing use of public property, such as streets, and involving the elements of monopoly and regulation. The State of North Carolina levies such a tax.

General Obligation Bonds. Bonds issued by a locality for general improvement and the debt retirement (principal and interest) are pledged by the full faith and credit of the locality. The locality will use all resources available to pay off the bonds. State laws regulate general obligation bond sales by any locality. The bonding capacity or legal debt limit for general obligation bonds for North Carolina counties is limited to 8 percent of the appraised valuation except for bonds issued for hospital purposes. The debt limit has been changed effective July 1, 1973.[2] Generally, bonds cannot continue for longer than the useful life of the projects for which the bonds are issued. State law specifies maximum length of terms for the following improvements: (1) funding or refunding bonds--50 years, (2) public buildings (with provisions)--40 years, (3) water systems or sanitary sewer systems--40 years, and (4) lands for public parks and playgrounds, including improvements, buildings, and equipment--40 years.[3] The State specifically defines the purposes for which bonds may be issued and taxes levied by law.[4]

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[1]Wicker, Warren Jake, County Revenues and Expenditures in North Carolina, Institute of Government, Chapel Hill, 1972, p. 16.

[2]There will be no distinction between school and other purpose debt. Debt, except for bonds issued for water, gas, electric and power, sanitary sewer facilities ordered constructed by Department of Natural and Economic Resources or to prevent beach erosion, limited to 8% of appraised valuation. Sanitary sewer bonds are not subject to the limitation if found to be self-supporting. (G.S. 159-55).

[3]G. S. 153-80

[4]G. S. 153-77

Operating Expenditures. Expenditures necessary to the maintenance of the city government and functions, the rendering of services and collection of taxes.

Outstanding Debt. The total amount of direct debt of all types of a government unit.

Personal Property Tax. Tax on personal property such as household goods, automobiles, etc., levied on the owner in proportion to the assessed valuation of the property.

Property Tax Assessment. The process of making the official valuation of property for the purpose of taxation. The valuation placed upon property during such process. Revaluation is made every eight years under State law and is a county responsibility.

Property Tax Rate. The amount of tax on property stated as a certain amount of money per unit of appraised valuation; for example: $1.00 per $100 of appraised valuation. The tax rate is set annually by the governing body of the municipality and county.

Real Estate Stamp Tax. This tax is levied by the State. It is collected by the register of deeds and the proceeds go into the county general fund. The tax is $.50 on each $500 (or fraction) of the value of the property conveyed.[1]

Real Property Tax. Tax on real estate such as land and structures levied on the owner in proportion to the appraised valuation of the property.

Revenue Bonds. Bonds on which the principal and interest are to be paid solely from earnings--usually from those of a utility or other public service.

Revolving Fund. Fund provided for carrying out a cycle of operations, the amount extended from the fund being restored out of earning operations or by transfers by other funds so that it is always in fact in the form of cash, receivables, or other assests.

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[1]Wicker, Warren Jake, County Revenues and Expenditures in North Carolina, Institute of Government, Chapel Hill, 1972, p. 16.

Special Assessment. A charge made by a local government against certain properties to defray part or all of a specific improvement or service which is presumed to be of general benefit to the public but of special benefit to the owners of such properties. This is possible in the case of streets, sidewalks, curb and gutter, storm drainage improvements, and water and sewer line improvements.

State or Federal Grant-in-Aid. Contributions by a superior government to another governmental unit; the contributions are usually made for specific purposes and without reference to the yield from tax levies. Example: Planning Assistance Grants.

State Shared Tax. State collected taxes shared with local governmental units according to an established formula which may be based on population, area, and/or tax collections. Examples: franchise taxes, intangible taxes, Powell Bill.

Unencumbered Bonding Capacity. The difference between the bonding capacity of the municipality and the total bonds outstanding.

Methodology

In developing the Capital Improvements Budget for Marion, projections for FY 1976-FY 1981 were based on city revenues and expenditures from FY 1970 to FY 1975.

The FY 1970-FY 1975 revenues and expenditures were identified by funds including the following categories: general fund and special fund. The special fund includes water and sewer, debt service and revenue sharing funds. Future revenues and expenditures were projected by three different methods--arithmetic, geometric and least squares.

The arithmetic method of projection utilizes a given numerical change in revenues or expenditures from one point in time to another, as exhibited in the past. The geometric method uses a percentage change rather than a numerical change to project future revenues and expenditures. The least squares method uses regression analysis to compute a trend line "best fitting" the past patterns of revenues and expenditures. An algebraic relationship between the revenues/expenditures (y) and the point in time on which the revenues and expenditures are recorded (x) is established whereas for any date (x), a best estimate as to revenues/expenditures (y) can be obtained. The basic formula is $y = a + bx$, where:

y = the revenues/expenditures projections

a = the point where the trend line crosses the vertical axis

b = the calculated "best fitting" average change in revenues/expenditures

x = year for which the projection is made.

For each category of revenues and expenditures, the arithmetic, geometric, and least square projections were charted on a graph to determine the rate of change of each. For this study, the arithmetic projections were used with some slight variation in certain areas where it was thought that data given to the computer scientist were or had become invalid.

Revenues and Expenditures, 1970-1975

General fund revenues and expenditures are shown in Tables 1 and 2. Also shown in these tables are revenues and expenditures for the special fund which includes the water and sewer fund, and revenue sharing fund.

General fund revenues have increased from $443,477 in 1970 to $623,007 in 1975, an increase of $182,530. The largest revenue producer for the City is the property tax which totaled $359,158 in 1975. This represents almost 60%

TABLE 1

GENERAL FUND REVENUE BY SOURCE

	1970	1971	1972	1973	1974	1975
Current Tax	216,123	221,740	267,380	319,486	335,950	359,158
Prior Years Tax	9,330	4,973	7,627	3,721	5,434	9,007
Int. & Pen. on Taxes	2,873	1,462	2,767	1,942	1,757	2,456
Business License	4,400	4,412	4,311	4,423	4,236	4,978
Sales Tax	--	--	24,602	32,433	57,916	64,272
Intangible Tax	9,984	8,494	9,458	14,581	19,610	20,544
Franchise Tax	14,609	24,715	27,734	30,359	35,458	43,638
Auto Tags	335	332	433	828	768	634
Court Cost	466	356	713	562	590	630
Pavement Assessment and Interest	678	1,483	270	8	1,026	289
Cemetery Lots	2,460	3,755	4,740	3,930	5,180	3,292
Rent	1,796	2,005	1,710	1,920	2,770	5,815
County Fire Protection	3,900	3,900	20,860	16,960	16,960	16,960
County Trash & Dump	2,448	3,375	656	--	--	--
Parking Meters	8,246	8,294	7,840	4,856	6,668	6,350
Parking Violation	2,711	2,968	3,623	4,542	5,629	5,076
Powell Funds	17,529	18,413	17,819	39,956	44,803	43,984
Tax Refund on Gas	2,854	3,056	2,976	3,314	2,363	3,448
Cable T.V.	1,500	700	1,200	1,493	1,761	11,117
Interest	1,393	2,410	3,500	3,644	10,089	13,978
Cont.-Water & Sewer	136,035	105,350	87,589	15,216	1,536	--
Traffic Control - (N.C.)	2,299	1,555	2,954	3,824	3,400	4,654
Misc.	2,638	1,512	6,503	10,527	12,420	3,560
Total	$443,477	$424,201	$508,157	$523,428	$575,738	$623,007

TABLE 1 (CONTINUED)

SPECIAL FUND REVENUE

	1970	1971	1972	1973	1974	1975
Water and Sewer Fund	272,862	262,564	256,522	239,336	243,991	242,429
Revenue Sharing	_____	_____	_____	35,482	78,640	100,857
Total Special Fund	272,862	262,564	256,522	274,818	322,631	343,286
General Fund	443,477	424,201	508,157	523,428	575,738	623,007
Grand Total	$716,339	$686,765	$764,679	$798,246	$898,369	$966,293

NOTE: In all the following tables, the years represent fiscal years.

TABLE 2

GENERAL FUND EXPENDITURES

	1970	1971	1972	1973	1974	1975
General Gov't.	40,269	43,345	53,807	63,628	67,282	72,450
Police Dept.	90,919	98,410	114,721	124,887	120,292	134,855
Fire Dept.	24,669	34,901	49,129	50,692	49,972	62,041
Street Dept.	83,561	74,624	97,677	108,805	104,846	96,133
Sanitation Dept.	40,658	39,996	65,760	43,613	44,528	47,792
Cemetery	8,610	6,675	15,409	13,706	10,389	9,713
Comm. Bldg. and Rec.	10,476	6,617	6,333	8,309	12,067	9,360
Inspection						2,576
Non-Dept.	66,594	64,942	69,686	82,584	77,375	109,839
Transfer to Debt Service	37,491	36,560	35,056	38,943	41,369	25,865
Total	$403,248	$406,069	$507,578	$535,168	$528,119	$570,624

SPECIAL FUND EXPENDITURES

	1970	1971	1972	1973	1974	1975
Revenue Sharing				35,187	70,932	16,689
Water & Sewer	270,587	258,192	260,898	186,433	193,308	247,170
Total (Special Fund)	270,587	258,192	260,898	221,620	264,240	263,859
General Fund	403,248	406,069	507,578	535,168	528,119	570,624
Total	$673,836	$664,261	$768,476	$756,788	$792,359	$834,483

of the total General Fund revenue for 1975. The tax rate in 1975 dropped from $1.50 per $100 valuation to $.75 per $100 valuation. This was done because property is now taxed at 100% valuation whereas prior to 1975 it was taxed at 50% valuation. Sales tax was the second largest source of revenue in the General Fund with $64,272, followed by the Powell Funds (street aid) with $43,984. With the exception of the franchise tax, which increased significantly in the 1970-75 period due to state enabling legislation, general fund revenues have increased at a steady rate each year, except 1971 which experienced a slight decrease.

The water and sewer revenue has been the largest contributor to the Special Fund revenues with $242,429 in 1975. The second largest contributor was the revenue sharing, which only began in 1973, with $100,857. At the writing of this report there is some question as to whether revenue sharing will be continued after 1976, at least in its present form. Any subsequent changes in this fund source should be incorporated into the projection for future revenue. Finally, the debt service fund had $25,865 in revenue in 1975. However, this was actually only a transfer of funds from the General Fund to the Debt Services Fund.

Expenditures in the General Fund have increased from $403,248 in 1970 to $570,624 in 1975, an increase of $167,376. The largest expenditure went to the Police Department with $134,855 in 1975. The second largest expenditure, $109,339, was in the miscellaneous department which includes federal and state grants, sale of property and equipment, and non-departmental expenditures such as social security, retirement, group insurance, insurance, gasoline and utilities.

Special fund expenditures have decreased from $270,587 in 1970 to $263,859 in 1975. Expenditures have fluctuated during the past six years from a low in 1973 of $221,620 to a high in 1970 of $270,587. Water and sewer

expenditures have decreased from $270,587 in 1970 to $247,170 in 1975. Finally, revenue sharing expenditures, which began in 1973, have fluctuated from a high of $70,932 in 1974 to a low of $16,689 in 1975. See Table 2 for more detail.

In summary, the general fund revenues have exceeded the general fund expenditures for every year since 1970 except 1973 when revenues were $523,427 and expenditures were $535,168. In 1975 revenues were $623,007 and expenditures were $570,624, a surplus of $52,383. The general fund has basically been in sound financial condition during the past six years. (See Table 3). The special fund is also in sound financial condition. (See Table 4). During the past six years revenues have exceeded expenditures each year except 1972. In 1975 revenues were $343,286 and expenditures were $263,859 giving a surplus of $79,427. Revenues in the water and sewer fund have fluctuated but have generally been declining for the past six years. Expenditures in the water and sewer fund are somewhat misleading. Table 2 indicates a decrease in expenditures from $270,587 in 1970 to $247,170 in 1975. However, until 1975, money was transferred from the water and sewer fund into the general fund. These transfers were included in the expenditures in the water and sewer fund. The amount transferred to the general fund has decreased each year from a high of $136,035 in 1970 to none in 1975.

Special mention should be made of the debt service fund. Between 1970 and 1974 a percentage of tax revenue was automatically put into the debt service fund. This amount did not appear in the general fund and appeared in the debt service fund as revenues. In 1975, all tax revenue went directly into the general fund. A transfer was made from the general fund directly into the debt service fund. This transfer was shown as an expenditure from the general fund and as a revenue in the debt service fund. A more accurate assessment of both past and future tax revenue can be made if all tax revenue is first put into the

TABLE 3

GENERAL FUND - SURPLUS/DEFICIT

	1970	1971	1972	1973	1974	1975
Revenue	$443,477	$424,201	$508,157	$523,428	$575,738	$623,007
Expenditures	403,248	406,069	507,578	535,168	528,119	576,624
Surplus/Deficit	$ 40,228	$ 18,132	$ 578	-$11,740	$ 47,619	$ 46,383

TABLE 4

SPECIAL FUND - SURPLUS/DEFICIT

	1970	1971	1972	1973	1974	1975
Revenue	$272,862	$262,564	$256,522	$274,818	$322,631	$343,286
Expenditures	270,587	258,192	260,898	221,620	264,240	263,859
Surplus/Deficit	$ 2,275	$ 4,373	- $4,376	$ 53,198	$ 58,390	$ 79,427

TABLE 5

TOTAL BUDGET - SURPLUS/DEFICIT

	1970	1971	1972	1973	1974	1975
Revenue	$716,339	$686,765	$764,679	$798,246	$898,369	$966,293
Expenditures	673,836	664,261	768,476	756,788	792,359	834,483
Surplus/Deficit	$ 42,503	$ 22,505	- $3,798	$ 41,457	$106,010	$131,810

general fund. Therefore, the procedure used in 1975 was also employed in the five previous years by representing all tax revenue in the general fund first and then transferring to the debt service fund. All bond debts of the city will be paid off during FY 1975. However, new bonds will be issued for a waste treatment plant. It is anticipated the debt on these bonds will be paid from water and sewer revenue, thus not affecting the general fund.

Table 5 provides additional information on the total budget revenues and expenditures.

TABLE 6

CURRENT OUTSTANDING BOND DEBTS

	Principal	Interest	Total	Total Outstanding
1970-71	$30,000	$4,000	$34,000	$130,000
1971-72	30,000	3,250	33,250	100,000
1972-73	30,000	2,500	32,500	70,000
1973-74	25,000	1,750	26,750	45,000
1974-75	25,000	1,125	25,125	20,000
1975-76	20,000	500	20,500	-0-

Revenues and Expenditures -- 1976-1981

It would be both beneficial and economical if revenues and expenditures could be accurately projected. However, several factors, such as the loss of an industry, an increase in fuel prices, the abolishment of a Federal or State program, et cetera, which influence the economy of a small county or municipality are unpredictable and unattestable. As the economy and population change, the financial well being of a county or municipality changes. As in any organization, sound financial management is the major factor in balancing the budget.

In order to determine the revenues and expenditures for Marion during the next six-year period, mathematical projections were made for FY 1976 through FY 1981 using the revenues and expenditures for FY 1969 through FY 1975 as base input data. By using this method, it is assumed that the past financial trends will be indicative of the future (See Tables 7 and 8).

The mathematical projections for each category were made by using the geometric, arithmetic and least squares methods, explained in the methodology section. In many cases, an average of two projections was utilized. Where the projected amounts reflect sudden increases or decreases in expenditures and revenues, it is generally attributable to non-recurring items.

Also considered in determining future projections were known or anticipated major changes in policy or responsibility; therefore, projections were modified to reflect these changes.

Since all bonded debts will be paid off during FY 75-76, Marion will be capable of issuing up to approximately $4,000,000 in general obligation bonds based on the latest appraised valuation of $49,831,038 (See Table 9).

If, as each year progresses, it appears that the least squares projections

for the total budget are the most accurate then the City will have to cut expenditures or raise revenue through increased taxes. In May, 1976, the City increased water and sewer rates which will bring in some additional revenue. The least squares projections show expenditures increasing each year at a faster rate than revenue. Based on these projections a deficit will occur in fiscal year 1978 and will become larger each year after that. At the writing of this report the fiscal 1977 budget is being prepared. It appears the new budget will be extremely tight. Consequently, the City should begin considering methods of obtaining additional revenue in order to maintain and improve present levels of municipal services and avoid the necessity of using surplus funds to balance the budget in future years.

It is assumed that all revenue sharing money received will be used for capital expenditures. Any additional capital expenditures will have to come from local revenue. Since there will not be enough money available each year to meet all the requested capital improvements outlined in this report, the City should fund the priority A projects first and fund the lower priority projects as money becomes available.

TABLE 7

GENERAL FUND - PROJECTED REVENUE

	1976	1977	1978	1979	1980	1981
Current Tax	$386,841	$421,699	$453,806	$482,760	$513,887	$545,119
Prior Years Tax (Average)	6,682	6,682	6,682	6,682	6,682	6,682
Int. & Pen. on Taxes	2,373	2,555	2,513	2,627	2,801	2,870
Business License	5,094	5,230	5,414	5,612	5,887	6,069
Sales Tax	77,133	92,033	103,405	116,540	129,676	142,224
Intangible Tax	22,295	24,747	27,547	29,768	31,298	33,449
Franchise Tax	49,444	54,390	59,721	65,593	71,620	77,217
Auto Tags	694	766	833	834	847	889
Court Cost	663	724	727	760	794	826
Pavement Assessment	639	639	639	639	639	639
Cemetery Lots	3,668	3,785	3,731	3,795	3,632	3,708
Rent	4,930	5,576	6,221	6,867	7,513	8,159
County Fire Protection	16,960	16,960	16,960	16,960	16,960	16,960
Parking Meters	5,971	5,506	5,039	5,076	4,758	4,439
Parking Violations	5,549	6,065	6,554	6,956	7,222	7,651
Powell Funds	49,275	55,447	62,973	67,576	72,131	77,761
Tax Refund on Gas	3,567	3,669	3,808	3,906	4,215	4,369
Cable T.V.	13,040	15,508	18,370	21,746	25,743	28,668
Interest	16,495	19,312	22,475	26,241	29,471	32,570
Traffic Control	5,125	5,839	6,416	6,935	7,642	8,239
Miscellaneous	3,744	3,928	4,112	4,296	4,480	4,664
Total (Columns)	$680,182	$751,060	$817,856	$882,169	$947,898	$1,013,122
Total (Arithmetic)	$658,406	$705,290	$744,822	$789,133	$831,776	$ 873,582
Total (Least Squares)	$652,622	$691,561	$730,501	$769,440	$808,379	$ 847,319

TABLE 7

GENERAL FUND - PROJECTED REVENUE

	1976	1977	1978	1979	1980	1981
Current Tax	3,298,947	3,457,099	3,753,809	3,962,140	4,513,027	4,949,173
Prior Years Tax (Average)	5,980	6,002	6,182	6,368	6,852	6,802
Int. & Pen. on Taxes	2,372	2,356	2,313	2,427	2,801	2,870
Business Licenses	5,104	5,230	5,414	5,612	5,807	6,069
Sales Tax	114,139	82,020	103,409	110,540	124,674	142,224
Intangible Tax	22,649	24,197	27,547	29,168	31,278	34,449
Franchise Tax	52,454	54,350	59,721	65,593	71,650	77,277
Auto Tags	694	746	803	864	847	839
Court Cost	963	724	727	780	796	858
Payment Agreement	539	639	439	520	639	629
Cemetery Lots	3,450	3,255	3,731	3,755	3,832	3,706
Rent	5,380	6,515	6,221	6,867	7,513	8,159
County Firm Protection	15,000	15,900	14,900	15,500	16,940	16,900
Parking Meters	5,271	5,508	6,039	5,076	4,756	4,459
Parking Violations	5,549	6,065	6,554	6,956	7,252	7,657
Powell Funds	49,213	45,447	42,913	47,576	72,131	77,761
Tax Refund on Gas	3,467	3,659	3,508	3,706	4,215	4,389
Cable T.V.	13,240	15,500	18,370	21,746	28,745	28,868
Interest	15,990	19,212	22,479	25,241	29,491	32,570
Traffic Control	5,124	5,829	6,416	6,935	7,642	8,239
Miscellaneous	2,745	3,928	4,212	4,296	6,480	5,664
Total (Columns)	3,640,122	3,771,060	4,077,856	4,362,194	4,947,809	5,413,122
Total (Adjusted)	3,640,122	3,771,060	4,077,856	4,362,194	4,947,809	5,413,122
Total (Metric)	3,640,122	3,771,060	4,077,856	4,362,194	4,947,809	5,413,122
Total (Square)	3,640,122	3,771,060	4,077,856	4,362,194	4,947,809	5,413,122

TABLE 7 (CONTINUED)

SPECIAL FUND REVENUE

	1976	1977	1978	1979	1980	1981
Water & Sewer	$236,342	$231,098	$226,013	$223,349	$219,221	$214,579
Revenue Sharing	94,000	94,000	94,000	94,000	94,000	94,000
Total	$330,342	$325,098	$316,013	$317,349	$313,221	$308,579
Total (Arithmetic)	$317,826	$309,334	$303,225	$299,599	$290,695	$282,137
Total (Least Squares)	$304,297	$292,576	$278,236	$265,207	$251,523	$238,166
Total Budget (Columns)	$1,010,524	$1,076,158	$1,137,869	$1,199,518	$1,261,119	$1,321,701
Total Budget (Arithmetic)	$976,231	$1,014,624	$1,048,047	$1,088,692	$1,122,471	$1,155,719
Total Budget (Least Squares)	$956,918	$984,136	$1,008,736	$1,034,646	$1,059,901	$1,085,483

TABLE 8

GENERAL FUND EXPENDITURE PROJECTIONS

	1976	1977	1978	1979	1980	1981
General Government	$ 78,886	$ 85,995	$ 92,432	$ 98,193	$104,375	$110,761
Police Department	143,642	152,689	160,283	167,362	176,776	185,160
Fire Department	69,515	76,438	81,900	88,142	95,777	102,524
Street Department*	110,792	121,871	134,058	147,463	162,209	178,429
Sanitation Dept.	49,219	51,064	48,124	49,027	49,926	50,353
Cemetery	9,934	10,586	9,621	8,804	8,487	8,242
Comm. Bldg. and Rec.	10,135	10,499	10,863	11,228	11,592	11,956
Inspection	2,600	2,600	2,600	2,600	2,600	2,600
Non-Dept.*	105,145	112,757	120,369	127,981	135,593	143,205
Total	$579,868	$624,499	$660,250	$700,800	$747,335	$793,230
Total (Arithmetic)	$604,099	$643,705	$670,931	$698,084	$732,077	$764,367
Total (Least Squares)	$614,863	$650,023	$685,184	$720,344	$755,505	$790,666

* Least Squares

TABLE 8

GENERAL FUND EXPENDITURE PROJECTIONS

	1976	1977	1978	1979	1980	1981
General Government	$ 78,888	$ 85,201	$ 92,419	$ 99,193	$104,375	$110,761
Police Department	143,042	154,485	166,243	179,362	176,776	186,160
Fire Department	69,914	76,428	81,900	88,142	95,777	102,924
Street Department*	110,758	121,077	134,058	147,463	162,209	178,430
Sanitation Dept.	47,172	51,034	45,124	49,027	49,724	50,353
Cemetery	7,804	10,508	9,621	8,004	8,497	8,242
Comm. Bldgs. and Recr.	15,152	10,450	10,853	11,229	11,592	11,954
Inspection	5,500	4,600	5,400	5,400	5,600	5,600
Non-Depts.*	155,144	174,727	170,185	187,981	195,393	163,205
Total	$635,299	$682,500	$625,250	$700,800	$747,335	$795,230
Total (Arithmetic)	$504,238	$545,705	$610,737	$696,094	$732,077	$704,597
Total (Least Squares)	$514,864	$560,023	$605,182	$720,344	$758,305	$790,665

* Least Squares

TABLE 9

SPECIAL FUND EXPENDITURE PROJECTIONS

	1976	1977	1978	1979	1980	1981
Revenue Sharing	$ 94,000	$ 94,000	$ 94,000	$ 94,000	$ 94,000	$ 94,000
Water and Sewer	242,847	239,346	235,035	244,756	255,045	256,620
Total	$336,847	$333,346	$329,035	$338,756	$349,045	$350,620
Total (Arithmetic)	$337,728	$344,596	$346,281	$357,186	$360,198	$363,612
Total (Least Squares)	$326,303	$330,742	$330,416	$331,255	$331,085	$330,918
Total Budget (Columns)	$916,355	$957,845	$1,009,294	$1,039,556	$1,096,380	$1,143,850
Total Budget (Arithmetic)	$941,828	$988,301	$1,017,262	$1,055,269	$1,092,274	$1,127,979
Total Budget (Least Squares)	$941,166	$980,765	$1,015,599	$1,051,599	$1,086,590	$1,121,583

TABLE 10

Debt Limit

	Appraised Valuation	Debt Limit
1970	$15,070,688	$1,205,655
1971	$15,388,991	$1,231,119
1972	$18,417,305	$1,473,384
1973	$22,068,570	$1,765,485
1974	$23,182,617	$1,854,609
1975	$49,831,038	$3,986,483

APPENDIX A

METHODS OF FINANCING CAPITAL IMPROVEMENTS

General Obligation Bonds

General obligation bonds are financed from property taxes, through benefit assessment, or by utility revenues. The assessed valuation of property in the municipality is pledged as security toward payment of general obligation bonds. These bonds are, therefore, tax liens on all assessable property in the County.

EXISTING CONSTITUTION AND STATUTES PRIOR TO JULY 1, 1973	CONSTITUTION AND STATUTES EFFECTIVE JULY 1, 1973 AND THEREAFTER
DEBT	
(a) Voter approval required for contracting debt (issuing bonds or other obligations, contracts or agreements requiring payment beyond current fiscal year) if:	(a) Voter approval required for borrowing money secured by pledge of taxing power (contracts and agreements requiring payment beyond current fiscal year have no constitutional restrictions) if:
(1) amount of debt already contracted in a fiscal year exceeds 2/3 of net debt reduction for proceeding year; (Article V, Section 4(1), or	(1) amount of debt already contracted in a fiscal year exceeds 2/3 of net debt reduction for preceding year; (Article V, Section 4(2); or
(2) purpose of issue is for "non-necessary" expense (judicial determination airports, hospitals, etc.) even if amount is within 2/3 rule. (Article V, Section 4 (2); Prior to July 1, 1971, Article VII, Section 6)	(2) purpose of issue is not authorized by general law applicable to all counties; (Article V, Section 4(2), or
	(b) Other limitations on debt:
Other limitations on debt:	
(1) Debt for other than school purposes--limited to 5% of assessed valuation, except for bonds issued for hospital purposes. (G.S. 153-87; G.S. 131-126.23)	(1) No distinction between school and other purpose debt. Debt, except for bonds issued for water, gas, electric and power, sanitary sewer facilities order constructed by Department of Water and Air Resources or to prevent beach erosion, limited to 8% of appraised valuation. Sanitary sewer bonds are not subject to the limitation if found to be self-supporting. (G.S. 159-55)

(2) Debt for school purposes--limited to 5% of assessed valuation, except when county has assumed all school districts' debt, then limitation is 8% of assessed valuation. (G.S. 153-87)

(2) Contracts and agreements requiring payment beyond current fiscal year are treated as if they were bond issues by requiring that they be approved by the Local Government Commission and that the sums committed thereby be counted against the legal debt limit. (G.S. 159-150)[1]

Revenue Bonds

State law regulates revenue bond sales. The maximum length that bonds can run is 40 years. Revenue bonds do not count against the locality's legal bonding capacity in that they eventually pay for themselves.

While revenue bonds are outside the debt limit, revenues must be sufficient to cover payment of the bonds after all operating costs have been met. It is sometimes necessary to increase user charges to meet these conditions.

Special Assessment or Benefit Assessment

In order to pay in part or in full for an improvement, assessments are sometimes levied upon those property owners specifically benefited by the improvement. Such an assessment may be levied against property where a water or sewer line is to be installed. Special assessments usually apply also to churches, institutions, etc., that are ordinarily exempt from property taxes. General obligation bonds sold by a locality are sometimes repaid through benefit assessment.

Current Revenues

In addition to general operating costs, current revenue funds are the major source of capital improvements in the annual budget. Financing from the current revenue is a pay-as-you-go policy. Disadvantages occur when expenditures

[1]Summary of Tax and Debt Limitations, Local Government Commission, 1971.

are of comparatively large amounts. This results in unusual fluctuations in the tax rate which could be eliminated by distributing the cost over several years with long-term bonds. Sometimes users charges, such as those for water, are increased so that capital improvements can be financed from current revenues.

Capital Reserve Funds

This is a savings fund in which monies are added from the general fund or from a tax levied for this purpose. These monies are set aside for future necessary capital expenditures. This fund can be used to even out large capital expenditures which occur infrequently.

Subdivision Regulations

Subdivision regulations may require subdividers to provide certain public improvements at the time a new subdivision is built. Street grading, water mains, storm and sanitary sewers, and sidewalks may be required. If sufficient manpower and equipment are available, the city itself may install the improvements with the subdivider paying the cost. When the subdivider takes the responsibility for constructing improvements, the city must inspect the improvements before approval of the final subdivision plat, or a performance bond should be posted to guarantee that all improvements will be installed in accordance with specified standards.

State and Federal Grants and/or Loans

State and Federal grant-in-aid programs are frequently available to plan, construct, and finance capital improvements. Revenue sharing is one of the new financial sources available to cities to aid in the acquisition of public facilities and improved services.

Private Gifts

Bequests, grants, donations, and private subscriptions of land, money, buildings, or equipment are sometimes made to municipalities and counties. Several examples may illustrate possibilities; a local manufacturing concern may build a facility for the city; an estate or trust may specify money or land for a public park; a service club may raise money to provide facilities for a public park or other public use. Care must be exercised, however, so that a particular gift will not become a burden to the city. A building donated for public use may not necessarily be free if it is obsolete and in need of remodeling. In the long run, it may be cheaper for the city to construct a new building designed specifically for an intended and needed use.

ENVIRONMENTAL CONSIDERATIONS

PUBLIC IMPROVEMENTS PROGRAM AND CAPITAL IMPROVEMENTS BUDGET FOR

MARION, NORTH CAROLINA

The following is submitted to meet Federal requirements under Section 4-6a of the HUD Handbook, and State requirements as defined in the North Carolina Environmental Policy Act (G.S. 113A).

1. ABSTRACT. The public improvements segment of this study suggests priorities, cost estimates and methods of financing the needed public improvements recommended by department heads and other City officials for the next twenty-year period. The six-year capital budget analyses Marion's past fiscal trends and its current financial status. Anticipated revenues and expenditures are projected annually for the next six years in order to determine the City's ability to finance the community facilities that were recommended in the public improvements program.

2. ENVIRONMENTAL IMPACT. No adverse effects upon the environment are anticipated if any of the proposed projects are implemented. In fact, most of the projects should have beneficial effects on the environment. However, the environmental impact of individual projects cannot be realistically assessed until actual project planning and design occurs.

3. ADVERSE ENVIRONMENTAL EFFECTS. None are anticipated.

4. ALTERNATIVES TO PROPOSED PLANS. The proposed projects and plans are flexible, however, no alternatives are scheduled at this time. Naturally alternative selections or variations would be made if the principal plan or plans are abandoned.

5. RELATIONSHIP OF SHORT-TERM TO LONG-TERM EFFECTS ON ENVIRONMENT. The project plans include both immediate and future area needs, including large and small projects, thus, some of the proposed projects, if implemented, will have a very short-term effect on the environment while others being larger in scope will effect the environment over a longer time period.

6. IRREVERSIBLE AND IRRETRIEVABLE COMMITMENT OF RESOURCES. None.

7. APPLICABLE FEDERAL, STATE, AND LOCAL ENVIRONMENTAL CONTROLS. All existing Federal, State and Local environmental controls are applicable.

8. MITIGATION MEASURES PROPOSED TO MINIMIZE THE IMPACT. Specific measures cannot be determined until the project planning and design phase is reached for each individual project recommended in this study.